



Testimony in Opposition to HB2618
Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

House Committee on Taxation
Monday, March 12, 2018

Mr. Chairman and members of the committee, thank you for the opportunity to submit testimony in strong opposition to HB2618 on behalf of NFIB Kansas. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its over 4,400 members in the state.

Under current law, individual income tax rates are set at 3.1 percent for income under \$15,000 (\$30,000 for married filing jointly), 5.25 percent for income between \$15,000 and \$30,000 (between \$30,000 and \$60,000 for married filing jointly), and at 5.7 percent for income \$30,000 and over (\$60,000 and over for married filing jointly) in tax year 2018 and in future tax years. HB 2618 would create an additional income tax bracket for income over \$500,000 (\$1.0 million for married filing jointly) that would be set at 10.0 percent in tax year 2018 and in future tax years¹.

For small business owners, the grand majority of whom (over 90% in Kansas) are structured as pass-through entities—which pay taxes on their business income at the personal rate—this bill would be a major hit. Over the past thirty years, the pass-through business sector has expanded significantly. Pass-through businesses now earn more net income than traditional C corporations and employ the majority of the private-sector workforce². These employers are already struggling with rapidly increasing health care costs and are dealing with last year's massive retroactive repeal of the small business pass-through exemption and personal income tax rate increase.

This bill is an affront to Kansas tax payers and small business owners. It is the type of crushing legislation that small business owners have had to contend with in coastal states, not an idea that we want to import to the heartland. After navigating the negative impacts of the massive sales tax increase passed in 2015 and last year's largest income tax increase in history, the last thing small business owners can afford is another mammoth tax increase. Thank you for your consideration of our comments, and we strongly urge you to vote NO HB2618.

¹ http://www.kslegislature.org/li/b2017_18/asures/documents/fisc_note_hb2618_00_0000.pdf

² <https://files.taxfoundation.org/20170124162950/Tax-Foundation-FF5361.pdf>